with the desired service level is computed. In this computation process, Garg does not distinguish among sources of supply; much less does Garg distinguish between a non-spot market supply and a spot market supply. Moreover, Garg does not even hint that the computed safety stock level (SS) could be reduced based upon product availability from a spot market supply to estimate an optimal safety stock level.

Salvo does not provide any details about computing a safety stock level of a product. The only teaching Salvo provides regarding inventory level computations may be summarized by the following representative disclosure: "the control unit 114 determines the amount of inventory used over time, can estimate future use, and determine if an inventory order is needed" (col. 5, lines 7-10).

Since each of Garg and Salvo fails to teach or suggest the above-mentioned features of claims 2-17, no permissible combination of Salvo and Garg could have taught or suggested these features to one of ordinary skill in the art at the time of the invention. Accordingly, for at least this additional reason, the Examiner's rejection of claims 2-17 under 35 U.S.C. § 103(a) over Garg in view of Salvo should be withdrawn.

IV. Conclusion

For the reasons explained above, all of the pending claims are now in condition for allowance and should be allowed.

Charge any excess fees or apply any credits to Deposit Account No. 08-2025.

Respectfully submitted,

Date: March 20, 2003

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APPENDIX

Marked-up versions of the claimed amended by the Response filed March 20, 2003, are presented below.

In the specification:

At page 1, replace the paragraph at lines 3-7 with the following paragraph:

--This application is related to U.S. Application Serial No. 09/608,092 [___], filed on even date herewith, by Steve Kakouros et al., and entitled "Spot Market-Based Inventory Planning Tools," and to U.S. Application Serial No. 09/608,056 [___], filed on even date herewith, by Steve Kakouros et al., and entitled "Spot Market-Based Inventory Planning Services," both of which are incorporated herein by reference.--

Replace the paragraph at page 8, line 8-26, with the following paragraph:

-- As shown in FIG. 5, in one inventory planning process, it is assumed that the total amount of safety stock needed to cover the variability in end customer demand over the exposure period with a specified service level is represented by q_{MAX}. This level of safety stock may be met by a combination of a reduced safety stock level (q_{SAFETY}) that is kept on hand and supplied by non-spot market sources, and products supplied in real time by spot market sources (q_{SPOT}) to meet actual unmet demand that falls within target service level requirements ($q_{MAX} = q_{SAFETY} + q_{SPOT}$). The total non-spot market product cost ($C_{SAFETY}(q_{SPOT})$) decreases linearly with the amount of product supplied by [non-]spot market sources (q_{SPOT}). At the same time, the total spot market product cost ($C_{SPOT}(q_{SPOT})$) increases with the amount of product supplied by spot market sources (q_{SPOT}). In this model, the total spot market product cost is assumed to increase nonlinearly as a function of spot market quantity; however, in other models, the total spot market cost may increase linearly with spot market quantity or may vary with spot market quantity in ways selected to reflect actual conditions of the customer demand and the spot market. As shown, the total product cost ($C_{TOTAL}(q_{SPOT}) = C_{SAFETY}(q_{SPOT}) + C_{SPOT}(q_{SPOT})$) has a characteristic U shape, and is minimized when the maximum safety stock level (q_{MAX}) is reduced by the optimal quantity ($q_{SPOT, OPTIMAL}$) of product to be supplied by spot market sources. Depending upon actual

demand and market conditions, the overall reduction in total product cost (ΔC) may be quite substantial.--